



Foreign Agricultural Service

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## Guatemala

### Product Brief

### Tallow and Yellow Grease

**2002**

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#### **Report Highlights:**

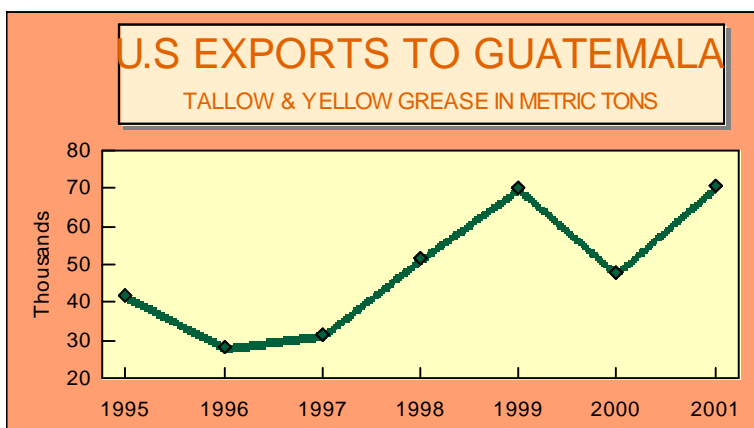
**The tallow and yellow grease market in Guatemala has shown solid but inconsistent growth in the last few years. In 1995, Guatemala imported 41,900 metric tons combined of both products, and by 2001 it had grown to 70,700 metric tons.**

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Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Guatemala [GT1], GT

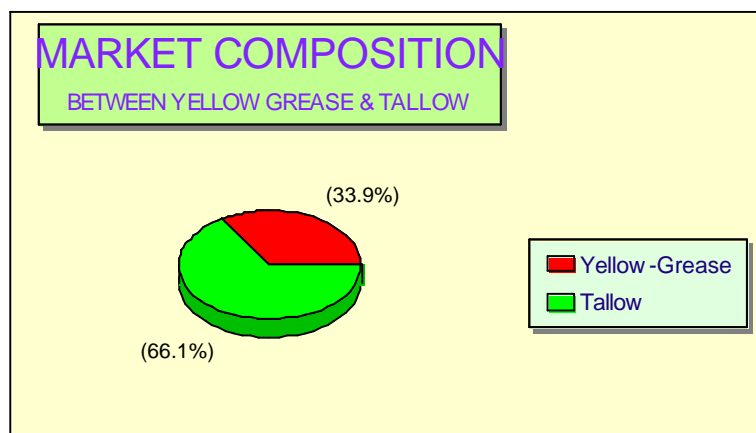
## I. MARKET OVERVIEW

Guatemala has been a very good market for U.S. yellow grease and tallow. Exports have grown from 41,900 MT in 1995 to 70,700 MT in 2001; However, the growth has not been consistent as there have been many ups and downs. This is because of macroeconomic factors. The U.S. is the sole supplier to this market and there is very little domestic production.



Our research leads us to believe that when the local wholesale price of yellow grease is above \$380 a metric ton, local feed companies and poultry farms start looking for alternatives, such as imported soy oil, and domestic palm oil.

Both products enter under the harmonized number of 150200. However, two-thirds of the product is tallow and one-third is yellow grease. The pie chart represents 2001, but after speaking with industry sources, we know that the 2:1 ratio has held at least the past seven years.



Most of the imported tallow is used for soap production. About 10% of the tallow goes into fat-based food ingredients.

All imported yellow grease is used in compound animal feed, 80% of which is poultry feed.

## II. MARKET OPPORTUNITIES AND THREATS

The Government of Guatemala can, with surprisingly ease, adjust import tariffs. On several occasions the Office of Agricultural Affairs has needed to remind the Ministry of Economy the WTO members are to provide notice of at least 30 days when tariffs are to be changed. In early 2001, the GOG attempted to increase the tallow and yellow grease tariff from zero to 15 percent, only to settle on a 10 percent duty. Presently, the Guatemala tariff is the highest among the Central American countries; a trade distorting predicament that is under review by the Central American Ministries.

Local production of palm oil has also created some competition for U.S. product, but there is still not enough production to fully supply the market.

### **Entry Strategy**

This market is basically divided into separate distribution chains for yellow grease & tallow.

Entering the tallow market is not difficult for U.S. suppliers, since all product is bought FOB U.S. port and then imported directly by the firms using it. U.S. firms need to contact the local firms and place bids for delivery. Most local companies have storage facilities at port and buy FOB for three months at a time. The Office of Agricultural Affairs recommends exporters contact the list provided in the company profile sector and contact buyers direct.

Entering the yellow grease market is a little more difficult. There are already two U.S. companies operating in Guatemala directly supplying customers with large quantities or one truck load at a time. To enter this market, a U.S. firm would need to set up a local subsidiary and provide a competitive service to capture market share. Some poultry farms, that produce their own feed, have joined forces in the past and pooled their yellow grease purchases, in order to save on some of the distribution cost, but this practice has not been very successful due to the limited storage available at the farms. Aliansa buys FOB U.S. port approximately 3,000 MT at a time. To sell to this company, a U.S. firm should contact Mr. Mota directly and offer a bid for there next shipment.

### **Company Profiles**

COMPANY	CONTACT INFORMATION	PRODUCT	QUANTITY	USE	PURCHASE FORM
Colgate-Palmolive	Sonia del Valle (502) 477-5511	Tallow	6,300 MT	Soap	Direct
Lubisa	Mr. Papajou (502) 476-0161	Yellow Grease	3,000 MT	Animal Feed	Direct Distributor
Griffin Industries	Edgar Rodas (502) 366-5642	Yellow Grease	4,000 MT	Animal Feed	Direct Distributor
Mesa Processing Inc	Greg Blanton (817) 740-8327	Yellow Grease	1,000 MT	Animal Feed	Direct Distributor
Aliansa	Mario Mota (502) 442-3640	Yellow Grease	16,000 MT	Animal Feed	Direct
La Popular	Roberto Herrarte (502) 334-1380	Tallow	20,400 MT	Soap	Direct
Olmecca	Luis Paz (502) 336-9190	Tallow	2,000 MT	Lard	Direct
IGAGSA	Carlos Raul Montes (502) 334-1380	Tallow	3,000 MT	Lard	Direct

AGISA	Joel Oliva (502) 476-2822	Tallow	5,000 MT	Lard	Direct
Fabrica La Luz. S.A.	Heather de Marroquin (502) 594-5115	Tallow	1,000 MT	Soap	Direct

### III. COSTS AND PRICES

- Tallow and yellow grease pay a 10% duty on the CIF price
- All imports must pay a 12% Value Added Tax.
- Customs brokers and inspection fees average about \$100 for each entry.
- Tank rental at port costs between \$4,000-\$5,000 a month for a 500 MT tank.
- Transport cost from the Atlantic port to Guatemala City averages \$380 for a 20 MT tanker, while from the pacific port to Guatemala City averages \$200 for a 20 MT tanker
- Tallow and yellow grease have changed dramatically this year. Prices have been between \$295 MT to \$480 MT. We are told this price variance has coincided with supply problems. We note that prices published on the publically traded U.S. markets have varied from \$0.065 a pound to \$0.22 a pound in commodity markets.
- Margins vary from firm to firm and are also dependant on the amount of service that must be provided. In general, a FOB purchase will have no more than a 5% mark-up, and a delivery to plant of 20 MT can have as much as a 25% mark-up.
- The most common practice when selling directly to feed compounding poultry farms is to provide them with 8 days credit to process payment.
- FOB purchases normally require letters of credit.

### IV. MARKET ACCESS

Import procedures in Guatemala are somewhat cumbersome. All U.S. firms interested in entering this market should read FAS Guatemala FAIRS report, which covers all the procedures. To access this report please go to [www.fas.usda.gov/scripts/attacherep/default.asp](http://www.fas.usda.gov/scripts/attacherep/default.asp).

The agency that grants imports licence for both these products in Guatemala is the Ministry of Agriculture's Office of Norms and Regulations. If the import request is received before 10:00 a.m. on a week day, the license is ready the next day after 4:00 p.m.

- Import procedures can be completed with copies, but the originals will be needed for

release at port.

The documentation that must accompany these products are:

- Bill of Laden
- Certificate of Origin ( the selling company can not provide this on themselves)
- Animal Product Export Certificate (from APHIS, this is the sanitary certificate)
- Packing List, if in bulk, a Survey Certificate (from an independent firm)
- Original invoice
- Laboratory Certificate of contents (this can be a private laboratory)

If a U.S. company wishes to sell yellow grease to poultry farms directly, they must go through the process of setting up a local subsidiary or contracting an agent. This takes up to six months to set up, and has additional tax burdens. The easiest way to supply this markets is selling to those already in the market.

## **V. KEY CONTACTS AND FURTHER INFORMATION**

If you have questions or comments regarding this report or need assistance exporting to Guatemala, please contact the U.S. Agricultural Affairs Office at the following address:

Office of Agricultural Affairs  
Avenida Reforma 7-01, Zona 10  
Guatemala, Ciudad 01010  
Tel: (502) 332-4030  
Fax: (502) 331-8293  
email: [AgGuatemala@fas.usda.gov](mailto:AgGuatemala@fas.usda.gov)

For more information on exporting U.S. agricultural products to other countries, please visit the Foreign Agricultural Service home page: <http://www.fas.usda.gov>